

Boulder, Colo., voters approve carbon tax

November 21, 2006

By Mark Lindsay

The city of Boulder, Colo., is hoping to become a trendsetter in the climate change arena after voters there approved a first-of-its-kind carbon tax.

The tax, which will take effect April 1, will be collected by Xcel Energy Inc. and then forwarded to the city.

Jonathan Koehn, the city's environmental affairs manager, said the money raised will go to fund its recently adopted climate action plan.

"We convened a group of stakeholders early in the year to discuss how we might fund some of these bold initiatives," said Koehn. "In other words, if we really wanted to have an effective climate action plan, we realized we needed these bold initiatives. There were several ideas that spun out of that conversation and one was the idea of taxing carbon, in other words, taxing people on their energy use."

The city looked into the idea and projected it could raise \$6.5 million by 2012 through a modest tax on electricity users. Koehn said the average homeowner in Boulder will pay an additional \$16 per year, commercial users on average will pay an extra \$46 and average industrial users will see about a \$6,000 annual jump in their bills.

"It was determined that we really wanted to create a tax that was not a disincentive for energy use, in other words it's not so high that people are going to say, 'Wow, this is an exceptional tax and we really need to use less electricity,'" said Koehn. "We realized that that was going to be very hard to get passed, so we made it fairly manageable for all sectors."

Some 60% of voters supported the tax when they went to the polls Nov. 7.

Koehn added that Xcel Energy has thrown its support behind the carbon tax and stands to benefit from it as well.

"They recognize the benefit of energy reductions," said Koehn. "Of course, part of the plan is to take advantage of some of the incentive programs that Xcel has. So they're looking at this as a really good, win-win partnership between the city and Xcel."

Xcel Energy spokeswoman Ethnie Groves said the company was glad to help the city in meeting its climate action plan and said the possibility exists for this to help the utility. "I know that a lot of folks in Boulder already are taking part in some of our demand-side management programs, but we're hopeful this (program) and others could help increase that," she said.

Boulder is one of about 330 cities that has signed on to the U.S. Mayors' Climate Protection Agreement, spearheaded by Seattle Mayor Greg Nickels, which calls on participating cities to voluntarily meet or beat emission reduction goals set forth by the Kyoto Protocol.

"These 330 mayors represent over 50 million Americans that, in my opinion, have really taken charge of reducing our climate impacts," said Koehn. "So, we can have an effect."

While this is the first carbon tax to be imposed in the United States, a similar program is in effect in Oregon, where an energy restructuring law directed the state's two-largest investor-owned utilities to collect a 3% "public purposes charge" from their customers. The charge, Portland General Electric Co. spokesman Steve Corson said, is not a tax and is not directed to a government entity but rather to the nonprofit Energy Trust of Oregon Inc.

Energy Trust of Oregon then invests the money collected in energy-efficiency measures.

Corson said the system, put in place in 2001, seems to work well and PGE works closely with Energy Trust in its efforts to help customers become more energy efficient.

"Our experience has been positive," said Corson.

Kate Smolski, a global warming campaigner for Greenpeace, said that while the Boulder tax is a tax on electricity users in the short term, the end result will be savings.

"Overall, the city is going to eventually save money because the money that they actually collect from this carbon tax will then go back into helping people save electricity through energy efficiency measures," said Smolski. "So, they'll actually end up saving money in the long term, which is, of course, a positive thing, and they'll also reduce the amount of carbon they are putting into the atmosphere."

She added that if other cities follow Boulder's lead, she hopes that they would only use the money to fund energy-efficiency measures.

Meanwhile, Natural Capital Solutions President L. Hunter Lovins said it is in the best interests of utilities to get on board with programs such as these. "All of the smart ones will," she commented. Natural Capital Solutions is a nonprofit organization that has developed a climate protection manual for cities to use as a guide in reducing their emissions.

Lovins was cautious, however, in her praise of Xcel Energy's support of the Boulder measure, calling it "a nice first step."

"Old habits die hard, utility executives love to build power plants," said Lovins. *i*